



TORRAY LLC

Investment management since 1972

## TorraysResolute Concentrated Large Growth

### Market Overview

U.S. equity markets delivered strong returns for the third quarter, in spite of facing a number of challenges including rising interest rates, higher oil prices and continuing trade conflicts. Offsetting these concerns were strong earnings growth, a healthy employment picture, high consumer confidence and modest inflation. As investors marked the tenth anniversary of the start of the financial crisis, and the Federal Reserve continued to step away from its long-held accommodative policy position, the message of the market appeared to be that the economy is prepared to stand on its own.

### Portfolio Commentary

The Large Growth Composite gained 9.11% (9.02% net of fees) for the quarter, capturing 99% of the benchmark Russell 1000 Growth Index's advance of 9.17%. Health Care and Information Technology were the portfolio's best performing sectors, while Financials and the newly-established Communication Services sectors were the worst. At the security level, top contributors included O'Reilly Automotive (ORLY), Lonza Group (LZAGY), and Apple (AAPL). Primary detractors included Facebook (FB), Enbridge (ENB), and Charles Schwab (SCHW).

Market breadth has improved as we appear to be transitioning from a liquidity-driven market to a fundamentally-driven market.

There were no new purchases or full sales for the period. At the close of the quarter, the portfolio held 29 positions, the top ten constituting 42% of the portfolio with a cash position of 2%. Information Technology and Health Care remain the two largest sector weights at 29% and 25%, respectively. The addition of Alphabet (GOOGL) and Facebook (FB) to the new Communication Services sector cannibalized approximately 6% from our Information Technology sector holdings. This new sector marks an important development within the benchmark's construction as it reduces the size and concentration of the Information Technology sector. Relative to the benchmark, the portfolio's largest sector overweights were Health Care and Materials, the largest underweights were Communication Services, Consumer Discretionary and Staples.

### Outlook

While economic fundamentals in the U.S. remain favorable, the global picture is mixed. Market risks are elevated due to extended valuations, rising interest rates, emerging inflation and ongoing trade disputes. On a positive note, market breadth has improved as we appear to be transitioning from a liquidity-driven market to a fundamentally-driven market.

As always, we remain focused on risk management and view the recent return of volatility as an opportunity to invest in best-in-class businesses at attractive valuations.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

October 15, 2018

#### Top Contributors & Detractors

Security	Sector	% Weight	% Contribution
O'Reilly Automotive, Inc.	Cons Disc	4.3	+1.0
Lonza Group AG Unsp. ADR	Health Care	3.8	+1.0
Apple Inc.	Info Tech	4.4	+0.9
Cooper Companies, Inc.	Health Care	4.3	+0.7
Microsoft Corporation	Info Tech	3.8	+0.6
Facebook, Inc. Class A	Comm Serv	2.9	-0.5
Enbridge Inc	Energy	2.5	-0.2
Charles Schwab Corporation	Financials	3.8	-0.1
BlackRock, Inc.	Financials	2.6	-0.1
LKQ Corporation	Cons Disc	3.6	-0.0

#### Top 10 Holdings

Security	% of Holdings
Apple Inc.	4.8
Cooper Companies, Inc.	4.6
Fiserv, Inc.	4.3
Lonza Group AG Unsp. ADR	4.2
Visa Inc. Class A	4.2
O'Reilly Automotive, Inc.	4.1
Danaher Corporation	4.1
Verisk Analytics Inc.	4.0
Microsoft Corporation	4.0
Adobe Systems Incorporated	3.8
<b>Percentage of total portfolio</b>	<b>42.1</b>

Holdings are subject to change and are not recommendations to buy or sell a security. To obtain information about the calculation methodology used to select the largest contributors to and detractors from performance or to obtain a list showing every holding's contribution to performance during the measurement period, contact [tawney@torray.com](mailto:tawney@torray.com).

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The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

**Investing involves risk; principal loss is possible. Past performance is not indicative of future results.**